



Financial and student number data collection

Seeking views on the collection of data from registered providers

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Summary

1. The Office for Students (OfS) collects a range of data from the higher education providers registered with it, in line with its regulatory duties. We are reviewing our approach to the collection of financial data, and associated student number projection data, in preparation for our regulatory framework coming fully into force on 1 August 2019.
2. This document asks for views on our proposed approach. It sets out two options:
 - a. **Option 1** – providers submit a single annual financial return, encompassing both actual financial data and forecast financial and student number data, **directly to the OfS**. The actual audited financial data element will be transferred by the OfS to the Higher Education Statistics Agency (HESA) for publication as an official statistic.
 - b. **Option 2** – providers submit both:
 - i. An annual financial data return covering the latest audited financial year, to the **HESA**.
 - ii. A separate financial and student number forecast return, to the **OfS**.
3. We have developed draft data return templates (see Annex A). We are also asking for comments on these templates.
4. In both options, we also propose to ask providers to submit to the OfS a financial commentary to help us understand more about the data they are providing and other relevant contextual information. A draft template with the questions we want to ask is at Annex B. We would also welcome views on these questions.
5. These proposals reflect our commitment to the principles of best regulatory practice – including transparency, proportionality, and consistency – and our duty to use our resources in an efficient and effective way.
6. This document also signals our intention to align the timing of the collection of actual and forecast financial and student number data. We will be asking for financial and student number data to be submitted no later than four months after a provider's financial year end.
7. Please send your comments on the data collection options and templates to financedata@officeforstudents.org.uk by **noon on Thursday 18 July 2019**. When we have considered your comments, we will write again to confirm the final arrangements.

Introduction

8. The Office for Students is the independent regulator for higher education in England. It was created on 1 January 2018 by the Higher Education and Research Act 2017 (HERA). The OfS's regulatory framework sets out the conditions higher education providers must meet in order to be registered with the OfS.¹ The framework comes fully into force on 1 August 2019.
9. Section 68 of HERA sets out the OfS's duty to monitor and report on the financial sustainability of higher education providers that are registered with it.² The OfS must monitor the financial sustainability of registered providers that receive OfS funding, providers not receiving but eligible to receive such funding, and providers whose students receive student support via the Student Loans Company. It must also include in its annual report a financial sustainability summary of conclusions drawn from its monitoring of individual providers for that year.
10. The regulatory framework sets out the primary mechanism by which the OfS will fulfil this function, principally through initial and ongoing regulatory condition D, which covers provider financial viability and sustainability. Condition D states that each registered provider must:
 - be financially viable
 - be financially sustainable
 - have the necessary financial resources to provide and fully deliver the higher education courses, as it has advertised and as it has contracted to deliver them
 - have the necessary financial resources to continue to comply with all conditions of its registration.
11. The financial and student number information submitted by each provider to demonstrate that it satisfies this ongoing condition of registration will also be used by the OfS to monitor and report on patterns and trends in financial sustainability under section 68 of HERA.
12. The OfS aims to be an intelligent data-led regulator, i.e. one that uses data to deliver its regulatory objectives in a low-burden and risk-based manner.

Overview

13. We are seeking views on two options for the collection of financial and student number data from higher education providers. This would take effect from the next return of finance data from providers. We will confirm the timescales in a separate communication and will give providers reasonable notice of our submission requirements.
14. The considerations guiding the proposed collections are set out in paragraphs 22 to 36.

¹ 'Securing student success: Regulatory framework for higher education in England' (OfS 2018.01) is available at www.officeforstudents.org.uk/publications/securing-student-success-regulatory-framework-for-higher-education-in-england/.

² See <https://www.legislation.gov.uk/ukpga/2017/29/section/68>.

15. The proposed data collection template is provided at Annex A. Under collection Option 2, the template would be very similar, although we would work with HESA to develop separate templates that minimised the burden of data submission on providers. The data to be collected would be the same as shown in Annex A. We welcome your views on the proposed data collection template.
16. Registered providers will also be required to submit a commentary to the OfS. The proposed template for this commentary is provided at Annex B. We welcome your views on the proposed commentary template.
17. Note that these proposals **will not apply to further education colleges or sixth form colleges**. For these providers, financial data will continue to be collected by the Education and Skills Funding Agency.

How to submit your comments

18. We welcome comments on the approaches set out in this document from registered providers that will be required to return this data. Please email financedata@officeforstudents.org.uk for receipt by **noon on Thursday 18 July 2019**.
19. The OfS is subject to the Freedom of Information Act 2000, data protection legislation and the Environmental Information Regulations 2004. If we receive a request for information related to your response then we will seek to ensure any information that is exempt is protected. Where appropriate, we will consult with you.
20. When we have considered your comments, we will write again to confirm the final arrangements.
21. If you have any questions about this please contact financedata@officeforstudents.org.uk.

Proposed approach to the collection of financial and student number data

Information requirements

22. The financial and forecast student number data that the OfS will use to assess the financial viability and sustainability of providers and the sector includes two elements:
 - the latest audited financial performance and position data (the **actual data**)
 - forecast financial performance and position data, and student number forecast data, covering the five-year period following the latest actual data (the **forecast data**).
23. The data will be collected in MS Excel template tables, which providers will download, complete and submit in accordance with format and timescale requirements to be determined and communicated by the OfS. The proposed template is provided at Annex A.
24. The OfS will collect further information to inform its assessment of financial viability and sustainability, including audited financial statements.

Actual financial data

25. HESA is the designated data body, established in accordance with section 66 and schedule 6 of HERA. The functions of the designated data body are set out in HERA section 64³ (the duty to compile and make available higher education information) and section 65⁴ (the duty to publish it).
26. HESA currently publishes financial data on UK higher education providers and aggregate sector data, annually as an official statistic.

Forecast financial and student number data

27. The OfS recognises that providers' financial forecast data, student number forecast data, and financial commentary information are commercially sensitive.
28. Given this sensitivity we believe that it is most appropriate for the OfS to collect financial forecast and student number data directly from higher education providers. All higher education providers are accustomed to submitting forecast data directly to the OfS and to its predecessor, the former Higher Education Funding Council for England.

Timing of data collections

29. HERA sets out a number of general duties for the OfS. These state that in performing its functions, the OfS must have regard to the need to use its resources in an efficient, effective and economic way. It is also required to adhere to principles of best regulatory practice, including designing practices which are transparent, proportionate, consistent and risk-based.
30. Collecting actual and forecast data at the same time supports the OfS in performing its functions consistently with these general duties. Specifically, we consider that it supports the OfS in making a comprehensive, holistic, annual financial assessment of each provider, using complete financial and student number information which considers past, current and future performance and context. We will be asking for financial and student number data to be submitted no later than four months after a provider's financial year end.
31. Aligning the timing of actual and forecast data collection will mean that, in normal circumstances, the OfS will only require a provider in good financial health to submit financial and student number forecast data once a year.

Other financial returns

32. All providers will be required to submit other information to the OfS at the same time as the financial and student number data returns. These include financial commentaries, audited financial statements, information about any deed of undertaking that may be in place, and the audited financial statements of any company providing such a deed. The OfS will publish

³ See <https://www.legislation.gov.uk/ukpga/2017/29/section/64>.

⁴ See <https://www.legislation.gov.uk/ukpga/2017/29/section/65>.

further information in summer 2019 about how to complete the returns and what providers need to submit.

33. Annex B sets out the proposed template for financial commentaries. Providers are invited to comment on the information we plan to request in commentaries.

Publication of financial data

34. The functions of the designated data body include the publication of appropriate higher education information (section 65 of HERA). The OfS has determined that actual financial data, generated from audited accounts, is information the designated data body should publish. This is consistent with HESA's annual publication of actual financial data for education providers across the UK and other stakeholders as an official statistic. Neither of the proposals in this document prevents the designated data body from publishing actual financial data about higher education providers.
35. Under Option 1, the OfS would transfer actual financial data to the designated data body so that it can be published as official statistics and consolidated with UK-wide financial data.
36. For reasons of commercial confidentiality, financial forecast information at a provider level will not be published or shared outside the OfS.

Feedback requested

Option 1: Collection by the OfS

37. Providers will be required to submit one set of financial and forecast student number tables annually, to the OfS, no later than four months after the end of the provider's financial year. Where this date falls on a weekend or bank holiday, the submission date will be extended to the next working day.
38. The proposed consolidated template under this option is provided at Annex A. The templates will contain the data required by the OfS to fulfil its regulatory functions in this area.

Option 2: Collection by HESA and the OfS

39. Providers will be required to submit a financial return in two parts.
- a. Part 1 will be an Excel template returned to HESA, and will consist of actual financial data relating to the most recent audited financial statements.
 - b. Part 2 will be an Excel template returned to the OfS, and will consist of financial forecast data and student number forecast data. The forecast template will be consistent with the actual template in Part 1, to ensure a consistent flow of information from actual data through the forecast period, and to aid the OfS's consolidation of actual and forecast data.
40. Both parts of this return will need to be submitted annually, no later than four months after the end of a provider's financial year.

41. The actual and forecast templates will be developed in line with the format and data requirements set out in Annex A, which contains the elements that will be split into the two templates. These will contain the data required by the OfS to fulfil its functions.

Proposal

Option 1: Collection by the OfS

- Providers will submit a single financial data return to the OfS, encompassing audited actual data and forecast data, alongside other regulatory returns. They will be required to submit this return no later than four months after their financial year end. The OfS will transfer only the actual financial data to HESA so that it can publish it as an official statistic.

Option 2: Collection by HESA and the OfS

- Providers will be required to submit a financial return in two parts: actual financial data for the last audited financial year to HESA; and to the OfS, a financial forecast template, alongside other regulatory returns. They will be required to submit the returns no later than four months after their financial year end.

We welcome your views on these proposals.

The proposed data template

42. This template has been compiled to collect the data that the OfS will need to perform its functions. It has been designed in consideration of the OfS's duty under section 64(6) and 64(7) of HERA to consider the views of other relevant persons, including UK Research and Innovation and the Secretary of State for Education.
43. As outlined in our data strategy⁵ we will, wherever possible, use common definitions and standards in preference to creating our own. This means that the sharing and repurposing of data are enhanced by the use of common data standards and definitions.
44. The proposed template has been designed to ensure that the OfS can collect data from a diverse range of providers with differing levels of organisational complexity. We recognise that some elements of the template (for example those relating to research income and expenditure) will not be relevant to the activities of some providers, so we plan to adapt the templates for different types of provider, to show only those elements of the template requiring data input.
45. The benefits are greatest if the actual and forecast financial data templates flow continuously from one to the other following a consistent format. If the sector finds it preferable for the collection to be undertaken by separate bodies we will work with HESA to ensure that this is delivered in an efficient way. We believe this is important as it provides clarity and better

⁵ See www.officeforstudents.org.uk/publications/office-for-students-data-strategy-2018-to-2021/.

support for providers, and enhances the likelihood of accurate and consistent data flowing from actual data throughout the forecast period.

The proposed commentary template

46. Annex B contains the proposed commentary template. This will provide context for a provider's financial performance, financial position and plans, as well as collecting additional information that lends itself better to a narrative format. This will ensure that the OfS is able to make a rounded judgement of a provider's financial viability and sustainability, and thus of its compliance with condition D.

Proposal

- Combined financial data templates (actual and forecast) can be found at Annex A. The actual and forecast elements of this template would be split under collection Option 2, or used as shown under collection Option 1.
- The commentary template can be found at Annex B. Under both options, this would be submitted to the OfS alongside the other return requirements (including audited financial statements, deeds of undertaking and supporting audited financial statements where appropriate).

We welcome your views on the proposed templates.

Annex A: Proposed financial data collection template

This annex is provided as a separate Excel file, available for download at www.officeforstudents.org.uk/publications/financial-and-student-number-data-collection/.

Annex B: Proposed provider commentary requirement

Commentary to support the financial and student number forecasts

Ensuring financial viability and sustainability

1. How is your provider ensuring its financial viability⁶ and sustainability⁷, including the identification and management of material risks to viability and sustainability?
2. How is your provider using scenario planning, sensitivity analysis or stress testing to understand and mitigate the risks to its financial viability and sustainability that arise from uncertainty in your financial and student number forecasts?
3. Where the financial and student number forecasts include any significant movements (± 10 per cent in any one year) on the income and expenditure account, what are the reasons for these movements? The explanation must include details about any material exceptional income or expenditure items.
4. Where the financial and student number forecasts include material changes on the balance sheet, what are the reasons for these changes? The explanation must include details about any material exceptional items.
5. Where the financial and student number forecasts include any significant movements (± 10 per cent in any one year) on the cash flow statement and forecast, what are the reasons for these movements? The explanation must include details about any material exceptional cash items (you may cross-refer to questions 3 and 4 if appropriate).

Intangible assets

6. What are the intangible assets that your provider currently owns or plans to own in the future?
7. How have you valued your intangible assets?
8. How and why has the value of these assets changed during the past three years?

Provisions

9. Have all provisions been disclosed in the notes to the audited financial statements? If not, state what the provision is, why it arises, what its value is and why it was excluded from the audited financial statements.

⁶ 'Financially viable' means that the OfS judges that there is no reason to suppose the provider is at material risk of insolvency within a period of three years from the date on which the judgement is made.

⁷ 'Financially sustainable' means the OfS judges that the provider's plans and protections show that it has sufficient financial resources to fulfil conditions D(iii) and D(iv) of ongoing registration (see www.officeforstudents.org.uk/publications/securing-student-success-regulatory-framework-for-higher-education-in-england/) for the period of five years from the date on which the judgement is made, and that it is likely to be able to operate in accordance with these plans and projections over this period.

Other reserves

10. Where there is a balance shown in any year for 'other reserves', what comprises this balance?

Other

11. If relevant, what are your debt covenants and how do you manage your compliance with them?
Do your forecasts show that you will continue to meet these covenants for the full forecast period?
12. Is there any further information that would be helpful to the OfS in assessing your financial and student number forecasts, to ensure that we understand the provider's financial viability and sustainability?



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